
RESEARCH PARK CORPORATION**FINANCIAL STATEMENTS****DECEMBER 31, 2006**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date

9/5/07

RESEARCH PARK CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 2006

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Postlethwaite & Netterville

A Professional Accounting Corporation
Associated Offices in Principal Cities of the United States

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Research Park Corporation
Baton Rouge, Louisiana

We have audited the accompanying statements of net assets of Research Park Corporation as of December 31, 2006 and 2005, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of Research Park Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Research Park Corporation as of December 31, 2006 and 2005, and their activities and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2007 on our consideration of the Research Park Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 2 through 5, is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Postlethwaite & Netterville

Baton Rouge, Louisiana
April 20, 2007

REQUIRED SUPPLEMENTARY INFORMATION

RESEARCH PARK CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2006

The Management's Discussion and Analysis of the Research Park Corporation's financial performance presents a narrative overview and analysis of Research Park Corporation's (RPC) financial activities for the years ended December 31, 2006 and 2005. This document focuses on the current years' activity, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the additional information contained in the financial statements, which begin on page 6.

FINANCIAL HIGHLIGHTS

2006

RPC's assets exceeded its liabilities (net assets) at the close of fiscal year 2006 by \$19,115,334 which represents a 11% increase in net assets from last fiscal year. This increase is primarily as a result investment income earned (both realized and unrealized) on a newly instituted investment portfolio as a result of the sale of land in the prior year. RPC's assets are a mix of capital assets of \$830,288, investment in Bon Carre' Business Center, LLC of \$4,037,503, and liquid assets of \$14,943,447, which consists primarily of investments of securities, cash, and certificates of deposit. The Louisiana Technology Park continued to realize significant expense savings from having renegotiated its agreement with the data center in 2002.

2005

RPC's assets exceeded its liabilities (net assets) at the close of fiscal year 2005 by \$17,262,091 which represents a 45% increase in net assets from last fiscal year. This increase was primarily as a result of the sale of land for a gain as well as an increase in state appropriations and a decrease in outsourcing expenses. RPC's assets were a mix of capital assets of \$1,160,940, investment in Bon Carre' Business Center, LLC of \$4,236,707 and liquid assets of \$13,086,030, which consists primarily of cash, short term investments and certificates of deposit. Due to the extraordinarily low interest rate environment during 2005, management continued to avoid investing any of RPC's liquid assets in longer term fixed-income investments. While costing RPC some interest income, this strategy eliminates the risk of a permanent impairment of RPC's capital. The Louisiana Technology Park continued to realize significant expense savings from having renegotiated its agreement with the data center in 2002.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for Special Purpose Governments Engaged in Business-Type Activities established by Governmental Accounting Standards Board Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*, (GASB 34)

Management's Discussion and Analysis
Basic Financial Statements
Required Supplementary Information
(Other than MD&A)

These financial statements consist of two sections - Management's Discussion and Analysis (this section), and the basic financial statements (including the notes to the financial statements).

RESEARCH PARK CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2006

Basic Financial Statements

The basic financial statements present information for the Research Park Corporation as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statements of Net Assets; the Statements of Revenues, Expenses, and Changes in Net Assets; and the Statements of Cash Flows.

The Statements of Net Assets (page 6) present a summary of assets and liabilities with totals of each. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the RPC is improving or deteriorating.

The Statements of Revenues, Expenses, and Changes in Net Assets (pages 7 - 8) present information which shows how the RPC's net assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Statements of Cash Flows (pages 9 - 10) present information showing how RPC's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income to net cash provided by operating activities (indirect method) as required by GASB 34.

FINANCIAL ANALYSIS OF THE ENTITY

Statements of Net Assets
December 31

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Current assets	\$ 3,300,437	\$ 12,586,322	\$ 5,794,587
Investments	15,680,513	4,736,707	4,328,718
Capital assets	<u>830,288</u>	<u>1,160,940</u>	<u>3,422,930</u>
Total assets	<u>19,811,238</u>	<u>18,483,969</u>	<u>13,546,235</u>
Current liabilities	695,904	645,952	584,428
Long-term liabilities	<u>-</u>	<u>575,926</u>	<u>1,082,493</u>
Total liabilities	<u>695,904</u>	<u>1,221,878</u>	<u>1,666,921</u>
Total net assets	<u>\$ 19,115,334</u>	<u>\$ 17,262,091</u>	<u>\$ 11,879,314</u>

All of the assets of the RPC are unrestricted as to their specific use; that is, they can be used for any lawful purpose consistent with the by-laws and articles of incorporation. The RPC has one long-term obligation relating to the purchase of equipment and software for the data center. In 2003, RPC purchased 26% of the common stock and \$3,000,000 of non-voting cumulative 9% preferred stock of Bon Carre' Business Center, LLC for a total investment of \$5,171,059. The increase in investments result from the investment by RPC into a long-term portfolio with proceeds from the sale of land in the prior year off set by the decrease in the investment in BCBC as a result of accounting for the investment utilizing the equity method of accounting and adjusting for current period losses.

RESEARCH PARK CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2006

Statements of Revenues, Expenses, and Changes in Net Assets
For the years ended December 31, 2006, 2005 and 2004

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Operating revenues	\$ 3,100,232	\$3,137,244	\$ 2,617,385
Operating expenses	<u>2,954,783</u>	<u>2,758,018</u>	<u>5,381,038</u>
Operating income (loss)	<u>145,449</u>	<u>379,226</u>	<u>(2,763,653)</u>
Non-operating revenues (expenses)			
Tax revenue	1,204,751	842,597	688,776
Equity earnings (losses) on investment	(199,204)	(94,071)	(772,225)
Gain on Sale of land	-	4,085,777	-
Investment income	738,560	183,633	-
Other revenue (expense)	<u>(36,313)</u>	<u>(14,385)</u>	<u>(74,631)</u>
Total non-operating revenues (expenses)	<u>1,707,794</u>	<u>5,003,551</u>	<u>(158,080)</u>
Change in net assets	<u>\$ 1,853,243</u>	<u>\$ 5,382,777</u>	<u>(\$ 2,921,733)</u>

2006

RPC's total operating revenues decreased by \$37,012 or approximately 1.2%. Operating revenues consist of incubator and data center service fees, rental income, and funds received from the state under the Cooperative Endeavor Agreement. Consistent with an increase by the state on the cap of hotel/motel tax distributed, the tax revenue received increased by \$362,154 or 43%. For the year ended December 31, 2006, operating expenses increased by \$196,765 or 7.13% as a result of a slight increase in fees paid for outsourcing the data center services resulting from additional usage. Equity losses on investment increased \$105,133 for the year ended December 31, 2006 as a result of losses of \$199,204 sustained on the equity investment in Bon Carre' Business Center during 2006 compared to losses of \$94,071 for the year ended December 31, 2005.

2005

RPC's total operating revenues increased by \$519,859 or approximately 19.86%. Operating revenues consist of incubator and data center service fees, rental income, and funds received from the state under the Cooperative Endeavor Agreement. Consistent with the renegotiation of fees with the data center service provider offset by a request for additional funding, the funds received from the state were increased by \$500,775 or 20.95%. For the year ended December 31, 2005, operating expenses decreased by \$2,623,020 or 48.7% primarily due to the impairment loss on obsolete computer hardware and software of \$1,917,211 in the prior year as well as a decrease in fees paid for outsourcing the data center services of \$810,000. Equity losses on investment decreased \$678,154 for the year ended December 31, 2005 as a result of losses of \$94,071 sustained on the equity investment in Bon Carre' Business Center during 2005 compared to losses of \$772,225 for the year ended December 31, 2004.

RESEARCH PARK CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2006

CAPITAL ASSETS AND DEBT

Capital Assets

At the end of 2006 and 2005, the RPC had approximately \$830 thousand and \$1.2 million, respectively, invested in capital assets, primarily composed of data center equipment. (See table below) These amounts represent a net decrease (including additions and deductions) of \$330,652 and \$2,261,990 or 28.48% and 66.08% over 2005 and 2004, respectively.

Capital Assets at Year End - Net of Depreciation

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Land	\$ -	\$ -	\$ 2,099,615
Equipment (net of accumulated depreciation)	<u>830,288</u>	<u>1,160,940</u>	<u>1,323,315</u>
Totals	<u>\$ 830,288</u>	<u>\$ 1,160,940</u>	<u>\$ 3,422,930</u>

Debt

RPC had \$558,310 and \$1,100,110 outstanding at the end of 2006 and 2005, respectively, on its financing agreement relating to the purchase of hardware and software for the data center, compared to \$1,574,638 outstanding at 2004.

ECONOMIC FACTORS AND NEXT YEAR'S OPERATIONS

RPC's management considered the following factors and indicators when setting next year's budget and goals. These factors and indicators include:

- Growth of tenants businesses in the Incubator;
- Improving economy especially in the technology sector;
- Increased revenue from Bon Carre' Business Center, LLC, and

RPC expects that next year's results will improve based on the following:

- Bon Carre' has begun generating revenues;
- Additional companies are expected to be accepted into the Incubator program;
- Increased revenue from the investment portfolio established in mid-2006.
- Additional impairment losses for obsolete computer hardware and/or software are not anticipated.

CONTACTING THE RESEARCH PARK CORPORATION'S MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the Research Park Corporation's finances and to show the RPC's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Edward Ashworth, President.

RESEARCH PARK CORPORATION
BATON ROUGE, LOUISIANA

SCHEDULE OF OPERATING ASSETS
DECEMBER 31, 2006 AND 2005

The following schedule represents the operating assets of RPC for the years ended December 31, 2006 and 2005.

	<u>2006</u>	<u>2005</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 3,018,211	\$ 3,091,486
Taxes receivable	247,159	199,348
Interest receivable	22,091	-
Other receivables, net of allowance for doubtful accounts	12,976	6,537
	<u>3,300,437</u>	<u>3,297,371</u>
<u>CAPITAL ASSETS</u>		
Furniture and equipment	804,193	791,133
Data center equipment	1,528,090	1,528,090
Website	42,186	28,935
Leasehold improvements	193,078	193,078
	<u>2,567,547</u>	<u>2,541,236</u>
Less: accumulated depreciation	(1,737,259)	(1,380,296)
Capital assets - net	<u>830,288</u>	<u>1,160,940</u>
 Total Operating Assets	 <u>\$ 4,130,725</u>	 <u>\$ 4,458,311</u>

See auditors' report.

RESEARCH PARK CORPORATION
BATON ROUGE, LOUISIANA

SCHEDULE OF INVESTMENT ASSETS
DECEMBER 31, 2006 AND 2005

The following schedule represents the investment assets of RPC for the years ended December 31, 2006 and 2005. Investment assets have all been made in accordance with the investment policies and procedures of RPC.

	<u>2006</u>	<u>2005</u>
Investment in Bon Carre' Business Center, LLC	\$ 4,037,503	\$ 4,236,707
Investment in securities (at fair value)		
Short term investments	-	9,288,951
Alternative investments	853,827	-
Common stock	4,256,909	-
Money market funds	2,075,482	-
Mutual funds	3,416,619	-
Government obligations	540,173	-
	<u>11,143,010</u>	<u>9,288,951</u>
Certificates of deposit	500,000	500,000
Total Investment Assets	<u>\$ 15,680,513</u>	<u>\$ 14,025,658</u>

See auditors' report.

RESEARCH PARK CORPORATION
BATON ROUGE, LOUISIANA

STATEMENTS OF NET ASSETS
DECEMBER 31, 2006 AND 2005

ASSETS

	<u>2006</u>	<u>2005</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 3,018,211	\$ 3,091,486
Short term investments	-	9,288,951
Taxes receivable	247,159	199,348
Interest receivable	22,091	-
Other receivables, net of allowance for doubtful accounts	12,976	6,537
	<u>3,300,437</u>	<u>12,586,322</u>
<u>INVESTMENTS</u>		
Investment in Bon Carre' Business Center, LLC	4,037,503	4,236,707
Investment in securities (at fair value)	11,143,010	-
Certificates of deposit	500,000	500,000
	<u>15,680,513</u>	<u>4,736,707</u>
<u>CAPITAL ASSETS</u>		
Furniture and equipment	804,193	791,133
Data center equipment	1,528,090	1,528,090
Website	42,186	28,935
Leasehold improvements	193,078	193,078
	<u>2,567,547</u>	<u>2,541,236</u>
Less: accumulated depreciation	<u>(1,737,259)</u>	<u>(1,380,296)</u>
Capital assets - net	<u>830,288</u>	<u>1,160,940</u>
 Total Assets	 <u>\$ 19,811,238</u>	 <u>\$ 18,483,969</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES</u>		
Accounts payable	23,704	14,809
Accrued expenses	86,776	53,314
Other liabilities	27,114	53,645
Financing agreement payable	558,310	524,184
	<u>695,904</u>	<u>645,952</u>
<u>LONG-TERM LIABILITIES</u>		
Financing agreement payable, net of current portion	<u>-</u>	<u>575,926</u>
<u>NET ASSETS</u>		
Invested in capital assets (net of related debt)	271,978	60,830
Unrestricted	18,843,356	17,201,261
	<u>19,115,334</u>	<u>17,262,091</u>
 Total Liabilities and Net Assets	 <u>\$ 19,811,238</u>	 <u>\$ 18,483,969</u>

The accompanying notes are an integral part of these statements.

RESEARCH PARK CORPORATION
BATON ROUGE, LOUISIANA

STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
<u>REVENUES</u>		
State appropriations	\$ 2,773,791	\$ 2,890,609
Incubator fees	152,219	155,006
Rental income	127,980	49,083
Data center services	27,940	19,270
Other	18,302	23,276
Total revenues	<u>3,100,232</u>	<u>3,137,244</u>
<u>EXPENSES</u>		
Computer expenses	51,413	57,338
Consulting fees	63,250	45,949
Depreciation	356,963	392,999
Dues, licenses, and subscriptions	13,722	12,893
Employee benefits	95,410	95,092
Insurance	21,827	23,987
Marketing	58,032	28,615
Miscellaneous expenses	105,920	105,771
Office supplies	29,449	25,715
Outsourcing services	1,140,000	990,000
Payroll taxes	35,653	24,796
Postage and printing	7,271	5,786
Professional fees	66,155	86,802
Rent	242,122	212,236
Salaries and wages	523,068	528,428
Telephone	39,720	42,946
Travel	25,550	20,132
Utilities	70,740	50,241
Meals and entertainment	8,518	8,292
Total expenses	<u>2,954,783</u>	<u>2,758,018</u>
 Operating income	 <u>\$ 145,449</u>	 <u>\$ 379,226</u>

The accompanying notes are an integral part of these statements.

RESEARCH PARK CORPORATION
BATON ROUGE, LOUISIANA

STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Equity earnings (losses) on investment	\$ (199,204)	\$ (94,071)
Gain on sale of land	-	4,085,777
Hotel/Motel tax revenue	1,204,751	842,597
Donated assets	-	105,742
Investment income (net of fees)	738,560	183,633
Interest expense	(36,313)	(120,127)
	<u>1,707,794</u>	<u>5,003,551</u>
 <u>CHANGE IN NET ASSETS</u>	 1,853,243	 5,382,777
Net assets - beginning of the year	<u>17,262,091</u>	<u>11,879,314</u>
Net assets - end of year	<u>\$ 19,115,334</u>	<u>\$ 17,262,091</u>

The accompanying notes are an integral part of these statements.

RESEARCH PARK CORPORATION
BATON ROUGE, LOUISIANA

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash received from:		
Other operating receipts	\$ 320,002	\$ 246,635
State appropriations received	2,773,791	2,890,609
Cash paid for:		
Salaries and employee benefits	(663,457)	(681,277)
General and administrative expenses	(713,750)	(601,258)
Hardware and software maintenance	(51,413)	(57,338)
Outsourcing services	(1,140,000)	(990,000)
Net cash provided by operating activities	<u>525,173</u>	<u>807,371</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of investments and certificates of deposit	(24,821,395)	(9,777,303)
Proceeds from sales of investments and certificates of deposits	23,290,675	-
Interest and dividend income	363,214	183,633
Net cash used in investing activities	<u>(1,167,506)</u>	<u>(9,593,670)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>		
Taxes received	1,156,940	802,618
Income received from the sale of tax credits	-	68,056
Interest expense	(19,772)	(120,127)
Net cash provided by noncapital financing activities	<u>1,137,168</u>	<u>750,547</u>
<u>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</u>		
Principal reductions of long-term debt	(541,800)	(474,528)
Proceeds from sale of assets	-	6,185,392
Capital asset purchases	(26,310)	(124,881)
Net cash provided by (used in) capital financing activities	<u>(568,110)</u>	<u>5,585,983</u>
<u>NET DECREASE IN CASH AND CASH EQUIVALENTS</u>	<u>(73,275)</u>	<u>(2,449,769)</u>
<u>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</u>	<u>3,091,486</u>	<u>5,541,255</u>
<u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u>	<u>\$ 3,018,211</u>	<u>\$ 3,091,486</u>

The accompanying notes are an integral part of these statements.

RESEARCH PARK CORPORATION
BATON ROUGE, LOUISIANA

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
Operating income (loss)	\$ 145,449	\$ 379,226
Adjustments to reconcile operating income (loss) to net cash used in operating activities:		
Depreciation	356,963	392,999
Changes in operating assets and liabilities:		
Other receivables	(6,439)	5,660
Accounts payable	8,895	(2,074)
Other liabilities	(26,531)	39,533
Accrued expenses	46,836	(7,973)
Net cash provided by operating activities	<u>\$ 525,173</u>	<u>\$ 807,371</u>

The accompanying notes are an integral part of these statements.

RESEARCH PARK CORPORATION
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. Nature of Activities

The Research Park Corporation (the Corporation) was formed as a public nonprofit corporation in 1992. The State of Louisiana transferred a tract of land (at the State's cost) in 1993 to the Corporation to establish a research park. The purpose of the research park is to provide an area where various industries may set up their businesses while they are in the developmental stage. The research park will be used to attract these businesses to Louisiana (See Note 3).

During the year ended December 31, 2001, the Corporation refocused its efforts to concentrate primarily on developing early-stage technology businesses. The Corporation formed the Louisiana Technology Park, LLC (LTP) as a subsidiary of the Corporation to act as the technology business incubator for the development stage companies (See Note 3). The Technology Park, which is now in operation, also includes a commercial data center and commercial office space for technology companies. The commercial data center provides data storage and transmission capabilities to incubator companies (See Note 6). During the year ended December 31, 2002, the Corporation formed Bon Carre' Development Company, LLC as a subsidiary of the Corporation, for the purpose of purchasing Bon Carre' Town Center's mortgage note and approximately 18 ½ acres of land relating to that development. (See Note 7)

Two percent of the hotel-motel tax collections in East Baton Rouge Parish are dedicated to the East Baton Rouge Community Improvement Fund. Fifty percent of the tax monies collected by the Community Improvement Fund are allocated to the Corporation. The Corporation also receives state appropriations. (See Note 3)

2. Summary of Significant Accounting Policies

The Corporation applies Financial Accounting Standards Board pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails, and all of the GASB pronouncements issued subsequently.

Reporting Entity

GASB Statement 14 establishes criteria for determining the governmental reporting entity and component units that should be included within a reporting entity. Under provisions of this Statement, the Corporation is considered a primary government since it is a public nonprofit corporation that has a separately appointed governing body and is legally separate. The Corporation has two component units, *Louisiana Technology Park, LLC and Bon Carre' Development Company, LLC*, defined by GASB Statement 14 as other legally separate organizations for which the Corporation is financially accountable. These entities are reported as blended component units, and are thus combined with Research Park Corporation for reporting purposes. There are no other primary governments with which the Corporation has a significant relationship.

Basis of Accounting

The Corporation is considered to be a proprietary type fund and is presented as a business type activity. Proprietary funds are used to account for governmental activities that are similar to those found in the private sector where the determination of operating income and changes in net assets is necessary or useful to sound financial administration. The Generally Accepted Accounting Principles (GAAP) used for proprietary funds are generally those applicable to similar businesses in the private sector (accrual basis accounting). Under the accrual basis of accounting, revenues are recognized in the accounting period in which they were earned and expenses are recognized in the period incurred.

RESEARCH PARK CORPORATION
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

Income Taxes

The Corporation, the LTP and Bon Carre' Development Company, LLC are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes is necessary.

Compensated Absences

All full-time employees earn from 10 to 20 days of vacation leave each year, depending on length of service with the Corporation. Upon separation, all earned unused vacation leave will be paid.

All full-time employees earn 12 days of sick leave each year. Sick leave may be accumulated not to exceed 30 work days. If an employee resigns or is terminated, the employee will not be paid for any unused sick leave.

Cash

For purposes of reporting cash flows, cash includes highly liquid investments with original maturities of three months or less.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Non-exchange transactions, in which the Corporation receives value without directly giving value in return includes hotel/motel tax revenue as well as state appropriations. Hotel/motel tax revenue are considered "measurable" when the underlying transaction generating the tax occurs. Funds received from state appropriations that are unrelated to capital outlay, are recognized in the period in which the Corporation is eligible to receive the funding, which normally equates to the fiscal period that the appropriation represents since there are no other time restrictions on the funds. The Corporation considers the funds received from the state to be an operating activity. All funds received in the form of a donation are considered non-operating revenue.

Investments

Investments in securities are reported at estimated fair value except for short-term and money market investments with a maturity of one year or less, which are reported at cost which approximates fair value. Fair value is based on the last reported sales price if available; if not available, fair value is based on estimated fair value. Realized gains and losses and changes in unrealized gains and losses on investments recorded at estimated fair value are included in investment income. Investments include money market accounts, investments in domestic and foreign common stock, structured investments, mutual funds and U.S. Government Agency and Treasury obligations.

RESEARCH PARK CORPORATION
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

Investments (continued)

The Corporation accounts for its investment in the common stock of the Bon Carre' Business Center, LLC (BCBC) using the equity method as provided for in APB Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock." The Corporation accounts for its investment in the preferred stock of BCBC at cost.

3. Cooperative Endeavor Agreement

Effective November 30, 2000, the Corporation and LTP entered into a cooperative endeavor agreement with the State of Louisiana and the Louisiana Department of Economic Development to provide state funding to the LTP. The State has provided the Corporation with approximately \$2.8 million for each of 2006 and 2005. The Corporation and LTP must renovate and maintain facilities to provide for the Technology Park. The funds received must be used as payment or reimbursement for operations of the facility. Pursuant to the cooperative endeavor agreement, the Corporation and LTP were to receive each year, subject to changes in state appropriations, funds from the state approximately \$2.8 million through the year ending December 31, 2007 as long as it is operating the Technology Park.

4. Cash and Investments

Statement number 40 of the Governmental Accounting Standards Board (GASB Statement No. 40), *Deposits and Investment Risk Disclosures* established and modified disclosure requirements related to investment risk. This section describes various types of investment risk and Research Park's exposure to each type.

The following table presents the estimated fair value and amortized cost of investments permissible under the rules, objectives and guidelines of the Corporation as of December 31, 2006:

<u>Investment Type</u>	<u>Estimated Fair Value</u>	<u>Cost</u>
Alternative investments	\$ 853,827	\$ 800,000
Domestic common Stock	1,807,652	1,694,457
Foreign common stock	2,449,257	2,411,731
Money market funds	2,075,482	2,075,482
Mutual funds - equity	2,641,617	2,551,349
Mutual funds -- fixed income	739,846	722,882
Real estate investment trusts	35,156	29,918
U.S. Agency Obligations	219,022	216,402
U.S. Treasury Obligations	321,151	315,517
	<u>\$ 11,143,010</u>	<u>\$ 10,817,738</u>

During 2005, all short-term investments were composed of U.S. Treasury Bills with maturity dates of three months or less and were all carried at fair value.

RESEARCH PARK CORPORATION
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

4. Cash and Investments (continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of bank failure, the Corporation's deposit may not be returned to them. Deposits are carried at cost. The carrying amount of deposits is separately displayed on the balance sheet as "cash and cash equivalents". At year-end, the carrying amount of the Corporation's deposits was \$5,093,693 and \$3,091,486 and the bank balances were \$5,106,714 and \$3,086,650 at December 31, 2006 and 2005, respectively. Of the bank balances, \$1,099,998 and \$380,251 at December 31, 2006 and 2005, respectively, were in excess of the federally insured amount. The Corporation believes the credit risk associated with this is minimal.

For investments, custodial credit risk is the risk that, in the event of the counterparty, the Corporation will not be able to recover the value of its investments, or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, and are not registered in the name of the Corporation. The Corporation had no custodial credit risk related to investments for the years ended December 31, 2006 and 2005.

Credit Risk

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The standardized rating systems are a good tool with which to assess credit risk on debt obligations.

<u>Standard and Poor's Rating</u>	<u>2006</u> <u>Estimated</u> <u>Fair Value</u>	<u>2005</u> <u>Estimated</u> <u>Fair Value</u>
U.S. Government securities - N/A	\$ 321,151	\$ 9,288,951
Rated AAA	729,216	-
Rated B	229,652	-
	<u>\$ 1,280,019</u>	<u>\$ 9,288,951</u>

Alternative or structured investments have not been including in the ratings above as they are not traded have therefore not been rated. Redemption of these investments relies solely on the companies which provide the contracts and their ability to repay the underlying obligation.

Concentration of credit risk relates to the risk of loss attributed to a magnitude of the Corporation's investments in a single issuer. The Corporation has no investments in any single issuer that represented 5% or more of the total investments other than the U.S. Government.

RESEARCH PARK CORPORATION
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

4. Cash and Investments (continued)

Interest Rate Risk

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. The risk is applicable to debt investments with fair values that are sensitive to changes in interest rates. One indicator of the measure of interest rate risk is the dispersion of maturity dates for debt instruments. As of December 31, 2005, all of the investments of the Corporation mature within a three month period after year end. Interest rate risk is therefore not considered to be a risk with the short duration to maturity.

<u>Maturity in Years</u>	<u>2006</u> <u>Estimated</u> <u>Fair Value</u>	<u>2005</u> <u>Estimated</u> <u>Fair Value</u>
Less than 1	\$ 840,165	\$ 9,288,951
1-5	380,956	-
5-10	<u>58,988</u>	<u>-</u>
	<u>\$ 1,280,019</u>	<u>\$ 9,288,951</u>

Net investment income for the years ended December 31, consists of the following:

	<u>2006</u>	<u>2005</u>
Interest income	\$ 453,709	\$ 183,633
Realized losses	(13,373)	-
Unrealized gains	<u>298,224</u>	<u>-</u>
	<u>\$ 738,560</u>	<u>\$ 183,633</u>

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. At December 31, 2006 and 2005, the Corporation has no investments in foreign currencies.

RESEARCH PARK CORPORATION
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

5. Capital Assets

	2006		
	Beginning Balance	Additions	Ending Balance
Furniture and equipment	791,133	13,060	804,193
Data center equipment	1,528,090	-	1,528,090
Website	28,935	13,251	42,186
Leasehold improvements	193,078	-	193,078
	2,541,236	26,311	2,567,547
Accumulated depreciation	(1,380,296)	(356,963)	(1,737,259)
	<u>\$ 1,160,940</u>	<u>(\$ 330,652)</u>	<u>\$ 830,288</u>

	2005		
	Beginning Balance	Additions	Ending Balance
Land	\$ 2,099,615	\$ -	(\$ 2,099,615) \$ -
Furniture and equipment	647,757	143,376	791,133
Data center equipment	1,453,090	75,000	1,528,090
Website	28,935	-	28,935
Leasehold improvements	180,831	12,247	193,078
	4,410,228	230,623	(2,099,615) 2,541,236
Accumulated depreciation	(987,298)	(392,998)	- (1,380,296)
	<u>\$ 3,422,930</u>	<u>(\$ 162,375)</u>	<u>(\$ 2,099,615) \$ 1,160,940</u>

6. Commitments

Financing Agreement

The Corporation has also entered into an agreement for the purchase of equipment for the data center with terms through October 2007. Obligations under the agreement have been recorded in the accompanying consolidated financial statements at the present value of future minimum payments discounted at 6.51%. The equipment is now in use and is being depreciated.

The future minimum payments under the refinanced agreement and the net present value of the future minimum payments are as follows:

2007	594,654
Total minimum agreement payments	594,654
Less: Amount representing interest	(36,344)
Present value of future minimum payments	<u>\$ 558,310</u>

RESEARCH PARK CORPORATION
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

6. Commitments (continued)

Lease Agreement

During 2001, LTP entered into an informal lease agreement for the technology park for a term of 120 months. Rent is based on square footage at escalating lease amounts from \$5.50 to \$8.00 per square foot. A formal lease agreement went into effect on January 1, 2005, with terms matching those stated above in the original 120 month lease. Rental payments for the year ended December 31, 2006 and 2005 were \$242,122 and \$212,236, respectively and were paid to Bon Carre' Business Center, LLC. Future minimum lease payments are as follows:

2007	\$ 265,309
2008	265,309
2009	265,309
2010	265,309
2011	265,309
Thereafter	<u>906,132</u>
	<u>\$ 2,232,677</u>

Economic Development Agreement

Effective March 4, 2004, LTP entered into an agreement with the Louisiana Department of Economic Development (LED) and International Mezzo Technologies, Inc. (Mezzo) whereby LTP was named the Sponsoring Entity for Mezzo, in order to fully establish, implement, and develop the project as described in the agreement. Under the terms of the agreement, LTP disbursed \$500,000 of funds in order to build out, construct, and equip an operating facility located in the Technology Park. Mezzo is obligated to perform certain benchmarks under this contract. If these benchmarks are not reached then LTP will be ultimately be responsible.

7. Investments in Bon Carre Business Center, LLC

On December 31, 2002, the Corporation purchased the mortgages, consent judgment, and, to the extent they had any viability, the notes of Bon Carre' Town Center from First Tennessee Bank for \$8,160,121. In connection with the above transaction, the Corporation also purchased land at a cost of \$839,879. On March 28, 2003, the Company sold its entire interest in the above land and mortgage note to Bon Carre' Business Center, LLC for which it received \$9 million. The Company subsequently purchased a 26% interest in Bon Carre' Business Center, LLC (BCBC) common stock for \$2,125,900 plus 3,000 units of cumulative non-voting 9% preferred stock totaling \$3,000,000 for a total purchase price of \$5,125,900.

The Corporation's percentage of BCBC's net losses were (\$199,204) and (\$94,071) for the years ended December 31, 2006 and 2005, respectively which decreased the related investment account for the year ended December 31, 2006 and 2005, respectively. This loss includes amounts from both the 9% cumulative preferred stock for the period the investment was held as well as the Corporation's percentage of net loss related to the common stock investment.

RESEARCH PARK CORPORATION
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

8. Warrants

LTP receives warrants to purchase shares in its incubator companies. These warrants are exercisable upon certain financing being achieved by the incubator company and have a term of ten years at exercise prices ranging from \$.10 to \$.367. The warrants are deemed to have minimal fair value at December 31, 2006 and 2005 and have not been recorded in the accompanying financial statements.

9. Retirement Plan

The Corporation adopted a 401(K) Plan in 2002 which covers substantially all its employees. The Corporation contributes 4% of all eligible employees' salaries and matches 100% of each employee's salary deferrals up to 3% of their compensation. The contributions for the years ended December 31, 2006 and 2005 were \$35,742 and \$34,498, respectively.



Postlethwaite & Netterville

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Research Park Corporation
Baton Rouge, Louisiana

We have audited the financial statements of Research Park Corporation, as of and for the year ended December 31, 2006, and have issued our report thereon dated April 20, 2007. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Research Park Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Research Park Corporation's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record or process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the following paragraph to be significant deficiencies in internal control over financial reporting.

2006-1 As part of the audit process, we have always assisted management in drafting the financial statements and related notes for the year-end audit procedures. Because our involvement is so key to that process that is an indication that the internal control over financial reporting of the Corporation meets the definition of a significant deficiency as defined above.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Research Park Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management of the Research Park Corporation and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Postlethwaite & Nettieville

Baton Rouge, Louisiana
April 20, 2007



RESEARCH PARK CORPORATION

June 11, 2007

SENT VIA EMAIL AND FAX

Board of Directors
Research Park Corporation
Baton Rouge, Louisiana

In the "Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards," our auditors Postlethwaite & Netterville noted a significant deficiency in internal control over our financial reporting. The deficiency was described as follows:

As part of the audit process, we have always assisted management in drafting the financial statements and related notes for the year-end audit procedures. Because our involvement is so key to that process that is an indication that the internal control over financial report of the Corporation meets the definition of significant deficiency as defined above.

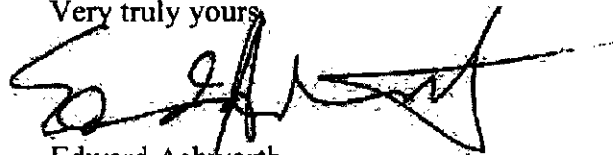
When the audit results were presented to the Audit Committee at the May 8, 2007, meeting, this deficiency was noted. The deficiency does NOT result from any changes in the organization's financial controls or from any difference in our relationship with our auditors compared with past years. Nor does the deficiency result from any substandard performance by the staff. The audit partner in charge of our account, Candy Wright, stated in her presentation to the Audit Committee that their audit of our finances did not disclose any material weaknesses in our internal controls and that all information requested by the auditors had been provided in a timely manner. The auditor's report in the final presentation of our financial statements will state, "In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of Research Park Corporation as of December 31, 2006 and 2005, and their activities and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America." The deficiency noted is simply a

result of changes in the auditing rules that apply to quasi-governmental organizations like the Research Park Corporation and that first became effective in 2006.

The deficiency can be eliminated by having staff prepare the financial statements. The Audit Committee instructed staff to take the steps necessary to have the organization's Director of Finance prepare the financial statements in the future. The Director of Finance will be provided training in preparation of financial statements so that such statements can be generated internally in the future.

The financial statement and audit results will be presented to the Board at its next meeting.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Edward Ashworth', written over a horizontal line.

Edward Ashworth

cc: Ms. Candy Wright